Birzeit University

Faculty of Business and Economics

Acct. 331- Second Exam — First Semester 2014/2015

Lecturer: Shadi Al-Haj

Student Name and No.:- [redacted]

31/40

Multiple Choice Questions

1	~~A~~	D
2	C	
3	D	
4	~~B~~	D
5	B	
6	D	
7	D	
8	~~D~~	C
9	D	
10	~~D~~	A
11	D	
12	~~B~~	C
13	~~B~~	D
14	B	

12
7
12

PART ONE: MULTIPLE CHOICE (21 POINTS)

1. Which of the following statements is/are true?
    a. Absorption costing allocates fixed manufacturing overhead to actual units produced during the period.
    b. Fixed manufacturing costs in ending inventory are expensed in the future under absorption costing.
    c. Operating income under absorption costing is higher than operating income under variable costing when production units exceed sales units.
    d. All of the above.

2. The method that allocates costs by explicitly including all the services rendered among all support departments is
    a. The direct method.
    b. The step-down method.
    c. The reciprocal method.
    d. The sequential method.

3. On occasion, the FIFO and the weighted-average methods of process costing will result in the same dollar amount of costs being transferred to the next department. Which of the following scenarios would have that result?
    a. When the beginning and ending inventories are equal in terms of unit numbers.
    b. When the beginning and ending inventories are equal in terms of the percentage of completion for both direct materials, and conversion costs.
    c. When there is no ending inventory.
    d. When there is no beginning inventory.

Use the following information for questions 4–5.
A department adds raw materials to a process at the beginning of the process and incurs conversion costs uniformly throughout the process. For the month of January, there were no units in the beginning work in process inventory; 20,000 units were started into production in January; and there were 5,000 units that were 60% complete in the ending work in process inventory at the end of January.

4. What were the equivalent units of production for materials for the month of January?
    a. 22,000 equivalent units
    b. 18,000 equivalent units
    c. 15,000 equivalent units
    d. 20,000 equivalent units

5. What were the equivalent units of production for conversion costs for the month of January?
    a. 15,000 equivalent units
    b. 18,000 equivalent units
    c. 17,000 equivalent units
    d. 20,000 equivalent units

6. Segment margin is sales minus :
    a. Variable expenses.
    b. Traceable fixed expenses.
    c. Variable expenses and common fixed expenses.
    d. Variable expenses and traceable fixed expenses.

7. Phillipson Corporation has two divisions: the IEB Division and the PIH Division. The corporation's net operating income is $83,900. The IEB Division's divisional segment margin is $149,700 and the PIH Division's divisional segment margin is $60,100. What is the amount of the common fixed expense not traceable to the individual divisions?

83 900

   a. $233,600
   b. $209,800
   c. $144,000
   d. $125,900

8. The purpose of the equivalent-unit computation is
   a. To convert completed units into the amount of partially completed output units that could be made with that quantity of input.
   b. To assist the business in determining ending inventory.
   c. To convert partially completed units into the amount of completed output units that could be made with that quantity of input.
   d. Both (b) and (c).

9. Under which allocation method are one-way reciprocal support services recognized?
   a. The direct method
   b. The artificial cost method
   c. The reciprocal method
   d. The step-down method

10. Castle Company uses the FIFO method in its process costing system. In the Cutting Department in June, units were 80% with respect to conversion in the beginning work in process inventory and one-third (1/3) complete with respect to conversion in the ending work in process inventory. Other data for the department for June follow:

	Units	Conversion Cost
Beginning work in process inventory	**25,000**	**$30,000**
Units started into production, and costs incurred during the month	**140,000**	**$175,000**
Units completed and transferred out	**135,000**	

The cost per equivalent unit for conversion cost is closest to:

125000

   a. $1.40
   b. $1.35
   c. $1.21
   d. $1.64

11. __________ is(are) subtracted from sales to calculate contribution margin.
   a. Variable manufacturing costs
   b. Variable marketing costs
   c. Fixed manufacturing costs
   d. Both (a) and (b)

QUESTION 2: VARIABLE COSTING

A company has $8.00 per unit in variable production cost and $3.00 per unit in variable selling and administrative cost. The annual fixed production cost is $300,000. The annual fixed selling and administrative cost is $50,000.

Complete the table below for the number of units and dollar value of ending inventory for each year. Assume a FIFO flow.

	2007	2008	2009	2010
Units Produced	120,000	150,000	100,000	100,000
Units Sold	110,000	120,000	140,000	100,000
Units in ending inventory	10 000	40000	0	0
Ending inventory using variable costing	80000	320000	0	0
Ending inventory using absorption costing	105000	400 000	0	0

8+2.5=10.5

8+2=10

/2

Good Luck